

## Message Text

SECRET

PAGE 01 ABU DH 01425 01 OF 02 210556Z  
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
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R 201126Z MAY 78  
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AMEMBASSY VIENNA  
USINT BAGHDAD  
AMCONSUL DHAHRAN  
USMISSION GENEVA  
USLO RIYADH

S E C R E T SECTION 1 OF 2 ABU DHABI 1425

EXDIS

E.O. /XGDS-1  
TAGS: ENRG  
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SUBJECT: TAIF OPEC CONFERENCE AND FORTHCOMING GENEVA OPEC CONFERENCE

REFS: (A) ABU DHABI 1148, (B) RIYADH 382, (C) KUWAIT 3015

1. BEGIN SUMMARY: UAE OIL MISTER CONFIRMED TAIF OPEC  
CONFERENCE LARGELY DEVOLTED TO PHILOSOPHIC, OFF-THE-RECORD DISCUSSION  
OF LENGTH-TIME ISSUES AFFECTING FUTURE OF OPEC. DESPITE CONTINUED

PRESSURES BY CERTAIN OPEC COUNTRIES TO INCREASE OIL PRICES IN 1978, HE EXPECTS NOTHING WILL EMERGE FROM FORTHCOMING GENEVA OPEC MEETING. END SUMMARY.

2. UAE OIL MINISTER UTAYBA TOLD ME MAY 20 THAT TAIF OPEC CONSULTATIVE CONFERENCE WAS DEVOTED LARGELY TO MAJOR PHILOSOPHICAL, OFF-THE-RECORD DISCUSSION OF THE FUTURE OF OPEC. RELAXED ATMOSPHERE, SKILLFUL SAUDI STAGE MANAGEMENT, AND ABSENCE OF MEMBERS OF PRESS IN CONFERENCE HALLS PERMITTED DELEGATES TO DISCUSS FREELY NUMBER OF ISSUES WHICH THEY SEE AS AFFECTING FUTURE OPEC STRATEGY. REMARKING THAT WORLD HAS CHANGED A LOT SINCE OPEC WAS FORMED IN 1960, MOST OF THOSE PRESENT FELT THAT OPEC TOO SHOULD CHANGE WITH THE TIMES. THE UAE, UTAYA SAID, DOES NOT WANT IT TO APPEAR THAT OPEC DEALS ONLY WITH OIL PRICES AND TO HAVE THIS ISSUE DISCUSSED EVERY SIX MONTHS. THIS HAD GIVEN THE ORGANIZATION AN INCREASINGLY BAD NAME LEAVING THE WORLD HANGING OVER WHAT OIL EXPORTING COUNTRIES WERE GOING TO DO. OPEC NEEDED TO REFURBISH ITS IMAGE.

3. AS A RESULT OF THIS CONCERN, A SIX-MEMBER COMMITTEE HAD BEEN FORMED TO CONSIDER THE FUTURE OF OPEC. IT WAS NOT HELD TO ANY TIMETABLE AND ANY OPEC MEMBER COULD SUBMIT IDEAS TO THE COMMITTEE. HE SAID KIND OF ISSUES COMMITTEE WOULD CONSIDER INCLUDE:

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--A) NATURE OF FUTURE RELATIONSHIP BETWEEN OPEC COUNTRIES AND OIL COMPANIES. LATTER NOW OPERATE LARGELY AS CONTRACTORS RATHER THAN CONCESSIONNAIRES AND QUESTION IS WHETHER THERE ARE NOW SUFFICIENT INCENTIVES TO ENCOURAGE OIL COMPANIES TO TAKE NEW RISKS IN SEEKING OR DEVELOPING NEW OIL RESOURCES.

--B) RELATIONS BETWEEN PRODUCER AND CONSUMER COUNTRIES. ANVERTING TO A PREVIOUS THEME, UTAYBA SAID HE HAD URGED THAT THERE BE AN ENERGY DIALOGUE BETWEEN THE PRINCIPAL OIL CONSUMER AND PRODUCER COUNTRIES ALONG THE LINES OF ORIGINAL 1974 YAMANI PROPOSAL. UN AND CIEC, BY BRINGING IN ALL RAW MATERIALS, HAD NOT BEEN ABLE TO COME TO GRIPS WITH ISSUES PARTICULARLY AFFECTING OIL. WHAT IS NEEDED IS OPEC DIALOGUE WITH PRINCIPAL CONSUMERS ON ESTIMATED FUTURE OIL CONSUMPTION, WHETHER PRODUCERS CAN MEET ESTIMATED DEMAND REQUIREMENTS AFTER MID- 1980'S, AND TRANSFER OF TECHNOLOGY IN RETURN FOR HIGHER PRODUCTION.

--C) OPEC'S RELATIONS WITH THIRD WORLD AND IN PARTICULAR ROLE THAT OPEC FUND SHOULD PLAY IN THE 1980S.

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 DRC-01 /027 W  
-----085333 230840Z /10

R 201126Z MAY 78

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USINT BAGHDAD  
AMCONSUL DHAHRAN  
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USLO RIYADH

S E C R E T SECTION 2 OF 2 ABU DHABI 1425

EXDIS

C O R R E C T E D C O P Y (MRN 1425 VICE 1426)

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4. AS FOR THE REGULAR OPEC MINISTERIAL MEETING IN GENEVA ON

JUNE 17, UTAYBA DAD NOT EXPECT THAT A GREAT DEAL WOULD EMERGE FROM THE MEETING. IRAQ, INDONESIA, AND POSSIBLY ONE OR TWO OTHER COUNTRIES COULD BE EXPECTED TO PRESS FOR A PRICE INCREASE ON GROUNDS THAT "PURCHASING POWER OF A \$13 BARREL OF OIL HAS DROPPED TO HWAT A \$4 BARREL PURCHASED BEFORE THE MAJOR PRICE HIKES IN 1973." WHILE PURCHASING POWER OF OPEC COUNTRIES HAD DECLINED SIGNIFICANTLY IN THE LAST TWO TOMTHREE YEARS BECAUSE OF OIL PRICE STABILITY, PRESENT SUPPLY AND DEMAND CONDITIONS MAKE ANY INCREASE IN PRICE OUT OF QUESTION AT THIS TIME. HE NOTED THAT REDUCTION IN PRODUCTION BY SAUDI ARABIA AND UAE THIS YEAR HAD IN FACT BENEFITTED IRAQ BY GIVING IT MARKETS NOT HITHERTO AVAILABLE TO IT. THIS FACT WOULD BE POINTED OUT AGAIN AT THE NEXT OPEC CONFERENCE.

5. COMMENT: UTAYBA'S REMARKS PRETTY WELL CORROBORATE THOSE REPOGTD IN REFS (B) AND (C). INTERESTINGLY, UTAYBA DID NOT SAY ANYTHING THIS TIME ABOUT HIS SCHEME TO HAVE A THREE-TIER BASKET OF INDUSTRIALIZED COUNTRIES AND OPEC CURRENCIES AND GOLD TO CALCULATE OIL PRICES. THIS WULD TEND TO CONFRIM OUR EARLIER REPORT (REF A) THAT UTAYBA'S PROPOSAL DID NOT RECEIVE UAE GOVERNMENT WLPROVAL SINCE RECENT STRENGTHENING OF THE US DOLLAR HAS MADE VARIOUS CURRENCY BASKET SCHEMES PROPOSED AS PRICE DETERMINATORS OF LESS PRESSING IMPORTANCE.

DICKMAN

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## Message Attributes

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Declassified/Released  
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EO Systematic Review  
20 Mar 2014  
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